

**AGENDA**



**Recommendation for Council Action**

Austin City Council	Item ID	63523	Agenda Number	51.
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Meeting Date:	10/6/2016	Department:	Telecommunications and Reg Affairs
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**Subject**

Set a public hearing regarding Texas Gas Service's proposal to increase customer gas rates. (Suggested date and time, October 13, 2016, 4:00 p.m. at City Hall; 301 W. Second Street, Austin, TX)

**Amount and Source of Funding**

**Fiscal Note**

A fiscal not is not required.

Purchasing Language:	
Prior Council Action:	Suspension of Texas Gas Service's proposed rates on June 23, 2016 granted.
For More Information:	Rondella M. Hawkins, TARA Officer; (512) 974-2422
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	

**Additional Backup Information**

City Charter requires Council to hold a public hearing prior to taking any action that affects rates of a franchise holder. This item authorizes the City Council to set the public hearing and allow public comments. Under the Gas Utilities Regulatory Act (Chapters 101 through 105 of the Texas Utilities Code) ("GURA"), the City of Austin has original jurisdiction over gas utility rates set for customers within its city limits.

On June 20, 2016, Texas Gas Service, a Division of ONE Gas, Inc. ("TGS" or "Company"), filed a Statement of Intent seeking to increase gas utility rates within the incorporated areas of the Central Texas Service Area ("CTSA"). The affected Central Texas municipalities include the cities of Austin, Bee Caves, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and Westlake Hills. The Company is also requesting consolidation of the CTSA and South Texas Service Area ("STSA") into a single Central Texas Consolidated Service Area ("CTCSA"). TGS calculated its revenue requirement in this Statement of Intent for the proposed CTCSA. In the filing, the Company asserts it is entitled to a \$10.5 million revenue increase in the CTSA or an 18.04% increase over current adjusted revenues, excluding gas costs. TGS has approximately 213,000 customers in the Austin area.

The City of Austin hired the law firm of Lloyd, Gosselink Rochelle and Townsend, P.C. and rate consultants to review the Company's filing, negotiate with the Company and to make recommendations regarding reasonable rates.

On June 23, 2016, the City Council suspended the effective date of rate increase to November 10, 2016 to allow additional time to review and evaluate whether the proposed rates are appropriate, just and reasonable.

The City formed a coalition with the other Central Texas municipalities to work together in this rate proceeding. The City and Coalition and TGS have reached a proposed settlement on TGS' application for a rate increase that will be presented to City Council for approval on October 13<sup>th</sup>.